

DRAFT July 7, 2004

**FOCUSED AUDIT
ON
THE AFFILIATED TRANSACTIONS BETWEEN
SOUTH JERSEY GAS COMPANY AND SOUTH JERSEY INDUSTRIES AND ITS AFFILIATES**

**PURSUANT TO
N.J.S.A. 48: 3-49, 48: 3-55, 48:3-56, 48:3-58 & N.J.A.C. 14:4-5 ET. SEQ.**

AND

**MANAGEMENT AUDIT
OF
SOUTH JERSEY GAS COMPANY**

**PURSUANT TO
N.J.S.A. 48: 2-16.4 & N.J.A.C. 14:3-12.1**

DOCKET NO. AX04040277

AGREEMENT FOR CONSULTING SERVICES

BETWEEN

(South Jersey Gas Company)

AND

(NAME OF CONTRACTOR)

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>TITLE</u>	<u>PAGE</u>
I	STATEMENT OF WORK	3
II	WORKING RELATIONSHIP	5
III	COMPLIANCE WITH STATUTES AND REGULATIONS	6
IV	COMPENSATION	7
V	REPORTING PROVISIONS	8
VI	GENERAL CONDITIONS	9
<u>EXHIBIT</u>	<u>TITLE</u>	
I	ESTIMATED SCHEDULE – PHASE I	13
II	ESTIMATED SCHEDULE – PHASE II	14
III	INDEMNITY & INSURANCE REQUIREMENTS	15

AGREEMENT FOR CONSULTING SERVICES

This Agreement is entered into on this ---the day of ----- 2003, between **South Jersey Gas Company** (hereinafter referred to as the Company) and **(NAME OF CONTRACTOR)** (hereinafter referred to as the Contractor).

ARTICLE I - STATEMENT OF WORK

The Company hereby retains the Contractor to perform an Audit (hereinafter referred to as the Audit) of South Jersey Gas Company (SJG) (Utility), in accordance with the promises, warranties and representations contained in the Contractor's proposal, dated -----, as provided in the Request for Proposal (RFP), which is incorporated by reference herein, provided, however, that where the terms of the proposal are inconsistent with the provisions of this agreement, the agreement provisions shall control.

Any proposal received that does not meet the requirements of the RFP will be cause for rejection of that proposal.

1.2 SCOPE

The primary scope of this audit is to:

This assignment will be developed in two phases. The first phase will be on a fast track and will concentrate on SJG's procurement strategies, and in particular the impact of transactions by and with affiliates of SJI, on a retail and wholesale basis. The Board will expect a detailed examination of these transactions specifically, at a minimum, gas procurement activities between SJG and SJI, the parent of SJG or other affiliates and other financial hedging and gas business transactions. This will also include a review of review and assessment of affiliate gas and capacity cost allocation methodologies to determine accounting and allocation procedures for separating costs of inter-company transactions and whether these accounting and allocation procedures are equitable and fair and do not favor certain affiliated over the utility and its ratepayers. Moreover, this phase should assess the gas commodity and capacity release and assignment strategies of SJG and its affiliates. This phase will be completed in less than three months from the signing of the contract, culminating with a Final Report on these transactions in the fall of 2004 that will have, where applicable, quantifiable Findings and Conclusions with supporting recommendations including opportunity cost.

The second phase will focus on all other aspects of the utility as defined hereinafter and will include the organizational structure of SJG, its financial controls, financial integrity, and corporate accountability. This examination will also concentrate on the adequacy of the separations of functions within the SJG operations for its competitive services and all transactions between SJG, SJI and the other affiliates to assure that SJG customers are not supporting the activities of its affiliates and its parent and that SJG has not been exposed to risks associated with its affiliates and are not part of the utility. Also, this phase incorporates all of the requirements that are part of the Electric Discount Energy Competition Act ("EDECA") as specified in N.J.S.A. 48:3-49, N.J.S.A. 48:3-55, N.J.S.A. 48:3-56, N.J.S.A. 48:3-58 and N.J.A.C. 14:4-5 Et..Seq. The Board will expect a detail examination of these transactions regarding internal financial controls, financial integrity, corporate accountability and the standards of conduct applicable to these transactions

These two phases should give an insight into the philosophy and direction of SJG, SJI and its affiliates as follows:

- ? Documentation of Affiliated Relationships – The policies and procedures that define the need, necessity, legal entitlement and the nature of the relationship between affiliates?
- ? Cost Allocation Methodologies – The cost allocation methods among the SJG, SJI and its affiliates. Whether they are the result of arms-length negotiations and whether they, as much as possible, allocated costs on a direct assignment basis; and if not, provide rationale for such and make appropriate recommendations.
- ? Price of Goods and Services – Review whether Is the pricing of SJG goods and services to and from SJI and its affiliates is appropriate, discriminatory and does not exceed market rates?
- ? Effect of Affiliated Relationships – Examine whether the holding company structure and the affiliates, along with their diversified activities have any detrimental effect on SJG?
- ? Internal Controls – Examine whether SJG has an internal system to provide reasonable assurance that its goals and objectives are accomplished at the lowest possible cost to its ratepayers with the maximum benefit to its customers? The internal controls should give a true and accurate account of the transactions of SJG and its affiliates and should show that the transactions have been carried out with integrity and according to appropriate standards consistent with regulatory and legal requirements and standards. Examine and determine whether SJG has an internal control that protects against irregular, illegal, and/or improper transactions, including accounting and financial activities that could result in trading irregularities, market price manipulation, false price information or unfair capacity and gas cost allocations from SJI or any of its affiliates to SJG.
- ? Corporate Governance – Review the corporate structure and whether the Board of Directors and senior management are able to anticipate and respond to strategic issues on an ongoing basis by assuring that the stockholders, as well as the ratepayers, are insulated as much as possible from financial harm? Is the Board of Directors constituted in such a manner that each director has the experience and knowledge to fulfill the corporate goals and objectives and that none of them has no conflicts of interest or self-interest or unreasonable influence while sitting on the Board.
- ? Capacity Allocation- SJG allocation of the costs of the Company's design day resources to any particular customer class or classes. How does SJG perform an "open season" for capacity assignment to LVS customers?

The Board requires the audit to encompass the following business activity for review, but will not necessarily be limited to the following:

- ? **GAS PROCUREMENT ACTIVITIES (see RFP)**
- ? **REVIEW AND ASSESS AFFILIATE COST ALLOCATION METHODOLOGIES (see RFP)**
- ? **EXECUTIVE MANAGEMENT AND CORPORATE GOVERNANCE (see RFP)**
- ? **ORGANIZATIONAL STRUCTURE (see RFP)**
- ? **STRATEGIC PLANNING (see RFP)**
 - ? Organization, Purpose and Mission
 - ? Goals and Objectives
 - ? Business strategy
 - ? Implementing and Executing the Strategic Plan
- ? **FINANCE (see RFP)**
 - ? General Overview
 - ? Financing
 - ? Cash Management
- ? **ACCOUNTING AND PROPERTY RECORDS (see RFP)**
 - ✗ Accounts payable
 - ✗ Accounts Receivable
 - ✗ Compensation and benefits
 - ✗ Budgeting
 - ✗ Work order Procedures and continuing Property Records
 - ✗ Capacity Assignment Issues

ARTICLE II - WORKING RELATIONSHIP

The Contractor's relationship to the Company is that of an independent contractor and not that of any agent or employee of the Company. Under the procedures developed by the New Jersey Board of Public Utilities (the Board), the Board's Staff will supervise the performance of the Audit.

In its capacity to supervise the performance of the Audit, the Board, through its designated staff members (as described below in ARTICLE V), shall have the right and opportunity to participate in all phases including, but not limited to, all Stages and Tasks, as described in the Contractor's proposal, for the Audit in cooperation with the Contractor and the Company. To this end, the Board's designated staff members shall have immediate access to all data provided to the Contractor by the Company and to all correspondence between the Contractor and the Company.

The Contractor shall provide the Board's designated staff members with reasonable notice of, and opportunity to attend, all meetings and interviews with the Company in order that the

Board's designated staff members shall have adequate opportunity to accommodate their schedules without unduly delaying the progress of the Audit. If the Contractor wishes to conduct any aspect of the Audit without providing an opportunity for the Board's designated staff members to so participate, it must obtain their prior approval.

No subcontract may be entered into by the Contractor without the written approval of the Board. A subcontractor shall, prior to commencement of any subcontract, agree in writing to comply with all terms and conditions of this Agreement and shall further obtain the policies of insurance specified in Exhibit II, attached, and supply to the Contractor and Company certificates evidencing such insurance. Copies of any Agreement(s) between the contractor and its sub-contractors relating to this agreement will be provided to the Board's staff prior to the commencement of the audit. Furthermore, all designated subcontractors or employees of contractors that will actually be involved in the Audit in any capacity will be fully identified immediately prior to the commencement of the audit, and any additions or other changes in the list will be immediately reported to the Company and the Board. Any and all subcontractors are subject to approval by the Board's Staff.

The Contractor warrants that it presently has no interest, and promises that it shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its services hereunder. The Contractor agrees that, in the performance of this Agreement, it shall not knowingly employ any person having such interest. The Contractor further certifies that no member of the board of the Contractor or any of its officers or any of its subcontractors has such an adverse interest.

ARTICLE III - COMPLIANCE WITH STATUTES AND REGULATIONS

- A. The Contractor warrants and certifies that, in the performance of this Agreement, it will comply with all applicable statutes, rules, regulations and orders of the United States, the Board and the State of New Jersey or any political subdivision thereof, including laws and regulations pertaining to labor, wages, hours and other conditions of employment; that wages paid will equal or exceed those provided by any applicable minimum wage determination; and that the articles delivered hereunder shall be produced in compliance with the Fair Labor Standards Act and any other applicable labor law.
- B. During the performance of this Agreement, the Contractor warrants that:
 - I. The Contractor will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, physical disability, or sex.
 - II. The Contractor, where applicable, will in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants, will receive consideration for employment without regard to age, race, creed, color, national origin ancestry, marital status or sex.
 - III. The Contractor must provide proof, if required, that it is operating under a Federally or State approved or sanctioned Affirmative Action Program. The Contractor will abide by any such Federally or State approved or sanctioned Affirmative Action Program.
- C. This Agreement will not be effective until authorized for execution by the Board's staff. Evidence of authorization shall be a letter from the Board's Director, Division of Audits, so indicating.

ARTICLE IV – COMPENSATION

A. Invoices for services performed and appropriate expenses, may be submitted by the Contractor at any time following the month's end, for any month in which work was performed or expenses were incurred. The Company agrees to reimburse the Contractor for all services and approved expenses. The Contractor's total billings for the review will be an amount not to exceed \$----- which includes professional fees, subcontractors' fees and support staff fees and expenses for supplies, materials and travel.

I. The Company shall reimburse the Contractor only for the actual hours worked in accordance with the applicable rate schedule subject to the cost limitations of ARTICLE IV.A. These rates will remain in effect for the course of this agreement.

II. Audit, documentation of expenses in a format acceptable to the Board and the Company. In addition, the Company agrees to reimburse the Contractor for direct job expenses incurred in connection with the Audit subject to the cost limitation of ARTICLE IV.A. The Contractor agrees to maintain, for a period of two years after completion of the Audit.

III. Internal documentation by the Contractor will include itemization of each expense equal to or less than \$75; and in those instances where expenses are more than \$75; expenses shall be documented with receipts. All such documentation is subject to audit by the Board and/or the Company.

B. The Contractor shall submit invoices for review and comment simultaneously to the Board and the Company for the actual hours worked and expenses incurred for the period identified in the invoice. The invoice format should provide a sufficient breakdown as provided below to satisfy the requirements of the Board and the Company verifying and allocating all costs of the project. All uncontested invoice amounts are payable within 30 days of submittal. The Company shall not be obligated to pay any amounts not specifically authorized by the Board.

The Board shall have the right to approve each invoice for payment by the Company as provided for herein. Such approval may be withheld if the following items are not included in the invoice:

I. A list of the Contractor's professional and support staff by name and title, who have worked on the Audit during the invoice,

II. All travel expenses, including transportation, meals, lodging and prorated period;

III. The hourly rate of each individual;

IV. The number of hours spent by each individual pertaining to this Company expenses for each individual; and,

V. A listing by category of materials and supplies purchased, and other expenses incurred during the invoice period.

C. Neither the Board nor the Company shall be liable for any costs incurred by the Contractor prior to the Board's authorization to execute this Agreement signed by the Company and the Contractor. Payment of any contractual costs incurred subsequent to the signing and authorization of this Agreement will be made upon receipt of the Contractor's invoice and the Board's subsequent approval.

- D. Payment of monthly invoices will be 100% of the undisputed amount of expenses and 80% of the undisputed amount of professional and support staff fees. The remaining 20% will be paid when the final report is filed with the Board and all contractual obligations have been met. Disputed amounts shall be subject to resolution by the Board. The Board shall determine what amount, if any, is required to be withheld to protect the Company and/or the State against loss or damages, which may result from unsatisfactory work or the failure to complete contractual obligations by the Contractor.
- E. If the Board 's Staff determines that any document prepared by the Contractor under this Agreement is unacceptable due to errors, omissions or failures to comply with requirements of this Agreement, the Contractor shall correct and revise the unacceptable document in accordance with directions received from the Board's Staff at no cost to the Company.

ARTICLE V - REPORTING PROVISION

- A. There shall be no direct reporting by the Contractor to the Company. All written communications shall be through the Board's Director, Division of Audits. All oral communications shall be through the Board's designated staff members. The Contractor and/or the Company may be requested to discuss the Audit's progress with the Board's designated staff members, as necessary.
- B. The Contractor shall submit to the Board a monthly written report, by the fifth business day following the end of the month, for any month in which work was required to be performed. The report shall consist of a general narrative providing adequate information regarding the status of the Audit, with an explanation of any discrepancies between the work plan and actual progress and an overview of the findings to date. A detailed review of the work performed to date, and a tentative schedule for the next month's activities shall be included in the report.
- C. A draft of the final report shall be submitted to the Board's Staff, which shall include, but not limited to, a summary of the audit process, a detailed list of all recommendations, and technical analysis of each specific area of review, justified with costs/benefit analysis, if warranted. Any changes in the reports shall be clearly identified in the draft reports. After review by the Board's Staff and its authorization to do so, the Contractor will forward a copy of the draft report to the Company. The Company shall be permitted a period of one week to review the draft report for factual accuracy and proprietary information. Any claim that information is proprietary and should be accorded confidential treatment must be fully supported with specific documentation demonstrating that the material is, in fact, confidential and that its inclusion in the report could cause actual or potential harm to the company. Any such claim must be made in the form and manner prescribed by N.J.A.C. 14:1-12 et seq. If additional time is needed the Company may request same, in writing, to the Board's Staff. Following review and comments by the Board's Staff and the Company, the Board's Staff may hold an Exit Conference, which the Contractor shall attend. Afterwards, Staff will authorize the preparation of the Final Report(s).
- D. The Final Report for phase 1 and phase 2 shall both consist of two volumes;(1) an executive summary which shall contain, but not limited to, a summary of the audit process, an overall assessment of the Company, a detailed list of all recommendations, and (2) a summary of the audit process, which shall contain, but not limited to, an overall assessment of the Company, a detailed list of all recommendations, and technical analysis of each specific area of review,

justified with costs/benefit analysis, if warranted. For both phase 1 and 2 the Contractor shall simultaneously provide the Board and the Company, a minimum of 25 bound copies each, two unbound reproducible copies each and an electronic copy.

- E. In addition, to formal written reports, the Contractor may be required to provide, at any time, oral presentations to the Board or its Staff on the status of the Audit. After the submission of the final reports and at the request of the Board or its Staff, the Contractor may be required to make oral presentations of said reports to the Board or its Staff and may be required to present testimony and be subject to cross- examination at hearings.
- F. The Board's designated staff members are under the supervision of Walter P. Szymanski, Director, Division of Audits.
- G. The Company's coordinator for this Agreement, and the receipt of all communications is -----
----- . The Contractor's coordinator for this Agreement and for the receipt of all communications is -----, Project Director.

ARTICLE VI - GENERAL CONDITIONS

- A. This Agreement shall commence on the day and year written and continue and remain in full force and effect, as to its terms, conditions and provisions as set forth herein, and as may be amended from time to time with the mutual written agreement of the parties, and the Board until either the Company or the Contractor with good cause and with the Board's approval shall have given the other party thirty (30) days' advance written notice of its desire to terminate this Agreement. The Board reserves the right to order the Company to terminate this Agreement at any time for good cause, as determined by the Board. In the event of termination pursuant to this Article, the Contractor shall be paid for all services incurred at the time of termination, subject to the withholding provision set forth in ARTICLE IV.B, which shall constitute the Company's sole and complete obligation to the Contractor. The Company in no instance shall be responsible for any non-expended but committed costs.
- B. In the event that the Audit cannot be performed in accordance with this Agreement, due to circumstances beyond the Company's or the Contractor's control, the Board reserves the right to temporarily suspend the Contractor's activities until such time that conditions warrant resumption of said activities. Such circumstances may include, but not be limited to, strikes, natural disasters, regulatory intervention or any other event beyond the Company's or the Contractor's control. All original terms and conditions of this Agreement, with the exception of Exhibit I, will remain in effect upon the resumption of activities.
- C. Any disputes between the Company, the Board's Staff and the Contractor, or its subcontractors in the performance of this Audit or in the interpretation of this Agreement shall be submitted to the Board for resolution.
- D. Any amendments to the scope and/or costs set out in this Agreement shall be in writing and approved by the Board, the Company and the Contractor. Any claim by the Contractor seeking

an amendment to the Agreement shall be made in writing addressed to the Board and the Company. Should the Contractor believe that there will be a substantial change to the scope of the work and/or the schedule for its completion which may involve additional costs, the Contractor shall notify the Director, Division of Audits, in writing and state the reasons that such changes will involve such additional costs. The Board shall make final decision as to whether any cost adjustments may be necessary.

- E. The Contractor shall comply with the Company's Indemnity and Insurance Requirements as detailed in Exhibit III.
- F. The Contractor and the Board shall be provided reasonable and necessary office space by the Company.
- G. The Contractor agrees to permit the Company and/or the Board to have access, during regular business hours, to the Contractor's premises to audit all supporting records associated with the Audit in order to verify the amounts and accuracy of all billings from the Contractor to the Company.
- H. The Contractor warrants that all services will be rendered in a professional manner, following the Professional Code of Conduct that is in the RFP and will be consistent with normal industry practices for similar type work.
- I. Reports, data, working papers and documentation, which were provided to the Contractor by the Company, arising out of and relating to services rendered by the Contractor under this Agreement are the exclusive property of the Company and shall be returned to the Company upon completion of the Audit. Said items may, at the election of the Company, be destroyed two years after delivery of the final report to the Board; provided, however, that notice of the Company's intent to destroy these items or records shall be provided to the Board 30 days prior to the such action. The Company reserves the right to request confidential treatment be accorded by the contractor to items that are proprietary, sensitive or potentially adverse to the conduct of its business in the manner specified in paragraph C of this Article, provided that said confidentiality restrictions shall not unduly impede the performance of the audit. Interview notes shall be the property of the Contractor.
- J. Working papers prepared by and/or received or utilized by Contractor including, but not limited to, interview notes and communications between Contractor and Board Staff shall, to the extent retained by Contractor after completing the review, be maintained as the confidential property of the Contractor to be released or disclosed to the Company or any third party, only upon order of the Board, the Custodian of Records, the Government Records Council and/or a court of competent jurisdiction. The Contractor agrees to immediately inform the Board should it be served with a subpoena or demand for production of documents relating to the audit.
- K. The Contractor agrees to provide testimony, as required by the Board, regarding the results of the Audit at the rates, as provided for in the Contractor's proposal, for testimony and preparation, with the cost to be paid by the Company.
- L. The Contractor shall not change or substitute personnel described in its proposal without the prior written permission of the Board and the Company. The Contractor shall demonstrate, to

the satisfaction of the Board and the Company, that any change or substitution will not detract from the Contractor's ability to perform the Audit as set forth in the proposal.

- M. The Contractor or any of its personnel involved in the Audit will not be permitted to perform any subsequent work for the Company or its affiliates for a period of two years after the completion of the audit without the approval of the Board.
- N. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.
- O. This Agreement is not assignable to any other party by the Contractor.
- P. This Agreement, including all referenced documents and Exhibits, comprises all contractual obligations between the Contractor and the Company. No representations have been made by either party, or the Board except as set forth in this Agreement and the referenced documents and Exhibits.
- Q. The Contractor agrees that all material and information which have or will come into the Contractor's possession or knowledge in connection with the Agreement or performance hereof, shall not be disclosed to any other entity, nor made use of, other than for fulfilling its obligations under this Agreement, unless otherwise ordered by the Board, the Custodian of Records, the Government Records Council or a court of competent jurisdiction.
- R. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.
- S. The Parties agree that a facsimile signature will serve as an original, and that the Statute of Frauds will be waived as to any claim associated with transmittal acceptance of the facsimile signature.

Focused Audit of South Jersey Gas Company
DOCKET NO. AX04040277

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date above mentioned.

ATTEST: **(South Jersey Gas Company)**

BY _____ BY _____

TITLE _____ TITLE _____

(Name of Contractor)

BY _____ BY _____

TITLE _____ TITLE _____

EXHIBIT I

Focused Audit of South Jersey Gas Company DOCKET NO. AX04040277

FOCUSED AUDIT ESTIMATED SCHEDULE – PHASE I

- | | |
|---|-------------------|
| 1. Send RFP to prospective contractors | July 9, 2004 |
| 2. Receive letters of intent from bidders | July 16, 2004 |
| 3. RFP review conference | July 20, 2004 |
| 4. Receive proposals from bidders | August 2, 2004 |
| 5. Board selects Contractor | September 8, 2004 |
| 6. Signing of contract | September 8, 2004 |
| 7. Audit begins | September 9, 2004 |
| 8. Contractor submits draft report | December 13, 2004 |
| 9. Staff releases draft report to utility | December 20, 2004 |
| 10. Utility submits comments on factual accuracy and
Proprietary information on the draft report | January 10, 2005 |
| 11. Exit Meeting | January 14, 2005 |
| 12. Contractor files final report | January 24, 2005 |
| 13. Utility submits comments on findings and recommendations | January 31, 2005 |

? **The above are Estimated Dates and may vary based upon direction from the Board.**

EXHIBIT II

Focused Audit of South Jersey Gas Company DOCKET NO. AX04040277

MANAGEMENT AUDIT ESTIMATED SCHEDULE - PHASE II

- | | |
|---|-------------------|
| 1. Send RFP to prospective contractors | July 9 2004 |
| 2. Receive letters of intent from bidders | July 16,2004 |
| 3. RFP review conference | July 20, 2004 |
| 4. Receive proposals from bidders | August 2, 2004 |
| 5. Board selects Contractor | September 8, 2004 |
| 6. Signing of contract | September 8, 2004 |
| 7. Audit begins | September 9, 2004 |
| 8. Contractor submits draft report | February 7, 2005 |
| 9. Staff releases draft report to utility | February 14, 2005 |
| 10. Utility submits comments on factual accuracy and
proprietary information on the draft report | February 21, 2005 |
| 11. Exit Meeting | February 25, 2005 |
| 12. Contractor files final report | March 7, 2005 |
| 13. Utility submits comments on findings and recommendations | March 14, 2005 |

? **The above are Estimated Dates and may vary based upon direction from the Board.**

EXHIBIT III

INDEMINITY & INSURANCE REQUIREMENTS

(To be provided by the Company).

South Jersey Industries, Inc.
Indemnity and Insurance Requirements
For Public Auditing Firms Working on behalf of South Jersey Industries, Inc.,
South Jersey Gas Company; South Jersey Energy Service Plus, LLC; South Jersey Energy, Inc. or Marina Energy, LLC
or A.C. Landfill Energy, LLC

Installer/Contractor agrees to furnish and perpetually maintain, at its own expense for the duration of any project, work or contract awarded by any above named subsidiary of South Jersey Industries, Inc. (SJI) either by purchase order, written or verbal contract or agreement, the following policies of insurance covering the following. Contractor's insurance must be primary and noncontributory by SJI and must also be AM Best rated at "A-" or better unless specifically waived in writing by SJI.

1. **Indemnity Clause**

The Contractor shall save harmless, indemnify, and in the event of either claim notification or suit will immediately defend the appropriate South Jersey Industries subsidiary from and against all loss, costs, damage, expense, claims or demands arising out of or caused or alleged to have been caused in any manner by the doing of work provided, including all suits or actions of every kind or description brought against the Company either individually or jointly with the Contractor for or on the account of any damage or injury to any person or persons or property, including the Contractor's employees or their property, caused or occasioned, or alleged to have been caused or occasioned by the Contractor, a subcontractor, their employees or agents.

2. **Workmen's Compensation - Statutory**

All Contractors (including sole proprietor) are required to purchase their own workers compensation policy.

	<u>Limits of Liability</u>
Bodily Injury by accident, each accident	\$1,000,000.00
Bodily Injury by disease	\$1,000,000.00
Bodily Injury by accident, each employee	\$1,000,000.00

3a. **Commercial General Liability - Including: Contractual Liability Created by the Indemnity Clause, Products Coverage, Completed Operations Coverage. The proper SJI subsidiary must be endorsed to the policy as an additional insured without exclusions for completed operations.**

	<u>Limits of Liability</u>
General Aggregate - Other than Products/Completed Operations	\$2,000,000.00
Products/Completed Operations aggregate	\$1,000,000.00
Each Occurrence	\$1,000,000.00
Fire Damage - any one fire	\$50,000.00
Medical Expense - any one person	\$1,000.00

3b. **Professional Accounting Errors & Omissions including audit functions shall be:**

Professional Errors & Omissions	<u>Limits of Liability</u>
Each Claim	\$10,000,000.00
Annual Aggregate	\$10,000,000.00

4. **Automobile Liability - Including All Owned and Hired Car & Non-Ownership Liability**

	<u>Limits of Liability</u>
Combined Limit - Each Occurrence	\$1,000,000.00

5. **Umbrella/Excess Liability Coverage following form to the CGL Policy**

	<u>Limits of Liability</u>
Each Occurrence	\$5,000,000.00
Aggregate	\$5,000,000.00
S.I.R.	\$10,000.00

6. **Certificate of Insurance**

Before starting any work, the Contractor shall furnish to the Company a certificate of insurance indicating, specifically, the existence of those coverages and limits set forth in Sections 1, 2, 3a, 3b, 4 and 5. South Jersey Industries and subsidiary must also be named on the insurance certificate as "additional insured ATIMA" to the CGL and Umbrella/Excess policies afforded contractor and attach to the certificate a copy of the actual policy endorsement that adds the SJI subsidiary as an additional insured. Further, that the insurance company will give the Company thirty (30) days notice of any cancellation or change in the terms of such policy or policies during the periods of coverage. Upon request of SJI, Contractor shall, furnish to Company for its examination and approval such policies of insurance with all endorsements, or conformed specimens thereof certified by the agent of the insurance company.

Signed by Contractor

(type the name of the Contractor)